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Trade, Commerce, and Commercial Crises

Les Crises Industrielles en Angleterre. By MICHEL TOUGAN-BARANOWSKY. (Paris: M. Giard & E. Brière. 1913. Pp. vii, 476. 12 fr.)

This is a new edition of the work already familiar to economists from the German edition of 1901. It is not necessary to enter into detail as to the changes between the two editions. A new chapter is added, bringing the actual history of crises down to date. The work is now divided into three parts instead of two, covering respectively the history of crises in England, the theory of crises, and the social effects of crises. It is of interest at the moment to

American readers owing to the appearance of the extended and ad mirable work of Wesley C. Mitchell. In the thirteen differen theories of crises given by Mr. Mitchell he did not see fit to includ the theory of Tougan-Baranowsky, although he refers to him in another part of his work in connection with a statement of fact Possibly Mr. Mitchell felt that the theory advanced by this distinguished Russian writer was sufficiently covered under his reference to socialistic theories, but Tougan-Baranowsky has had a considerable following on the continent in his consideration of this problem and, although unquestionably the influence of Marx is to be everywhere seen, he is independent and has extended the consideration farther than was ever done by Marx. In this connection it is interesting to note that the Russian writer puts his chief emphasis, as does Mr. Mitchell, on the demand for goods used by the manufacturer, such as machinery and building materials, in determining the course of trade cycles, which he considers essential phenomena of the capitalistic system.

In his theoretical section he has added a chapter on the theory of markets as an introduction to his theory of industrial cycles. In this he discusses in an interesting way the conflicting views of the classical school and of Sismondi. The former held that since in the long run goods constitute a demand for goods, general overproduction is impossible. Sismondi made the contrast between the production of goods and the possibility of social consumption under a given system of distribution. In other words, the market for the capitalistic producer is determined by the social revenue, which does not keep pace with the capacities for social production. Obviously the writer here must mean social revenue in the sense of revenue devoted to purposes of direct consumption. This latter view is also, as he points out, the view of the present Marxian school. As between the two, he gives greater credit to the theory of Sismondi, but he thinks that both are wrong in starting out with the idea that an equilibrium between supply and demand in the national economy necessarily means an equilibrium between the production of wealth and the consumption of wealth.

He then goes on to develop his theory of the accumulation of capital through the increase of goods devoted to further production. The essential feature is not, as the classical school would suppose, an advance of subsistence to the laborers nor (Sismondi) a failure of demand for goods produced, but is to be found in the transformation of the character of capital, which takes on more and more the form of goods for further production. Thus

direct consumption can actually diminish while an equilibrium of general supply and demand remains. In this new edition he attempts to develop this in a schematic form, showing how through this transformation productive goods continually increase. This method seems an unfortunate addition. He says that to state the proposition in language would be difficult. The schematic form, however, smacks too much of that method of Marx which so often gives a false impression of mathematical exactitude.

This accumulation of productive capital comes to a point where a crisis is inevitable unless there is a proportional redistribution of the social product. At this conclusion of his theory of markets we find him arriving at a position which is distinctly vague and, if it means what it appears to, it is not new. At the outset it would seem to be a combination of Marx and Mitchell, and the conclusion could be better stated in the language of Hobson and Robertson. Despite his insistence that the problem is one of the accumulation of capital goods and not of money and credit conditions, he works the problem out in terms of the supply of credit capital. During periods of stagnation this credit capital accumulates and then at some indefinite moment, not specified, "the resistance of industry is conquered" and loanable funds are transformed into productive capital. This new upward movement leads to large demand for productive goods, until the loanable funds are again exhausted and reaction again sets in. Fundamentally, the reason for the credit situation comes back, however, to a vague lack of proportionality between the different branches of production.

It is impossible here to enter into a discussion of the influence of these cycles on such problems as depression, unemployment, and the like. It is interesting to note, however, that in his final conclusion, although he does not come to the extreme view of a necessary cataclysm according to the strict Marxian theory, he does believe that these recurring depressions are an essential part of capitalism and under the capitalistic system will become increasingly severe rather than otherwise. The problem will only disappear when the capitalistic order is transformed into a "harmonious economic order" in which the interests of each will be subordinated to the interests of all. Indefinite as all this is as to the future, it distinctly means that there will be no solution of the problem of industrial depressions until the capitalistic system of industry is entirely supplanted by something else. Despite the vagueness of its conclusions, however, the book contains a mass of historical and

descriptive studies which cannot fail to be of value to students of this problem.

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NEW BOOKS

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MUSGRAVE, C. E. *The London Chamber of Commerce from 1881 to 1914. A retrospective appreciation.* (London: Effingham Wilson. 1914. Pp. viii, 93. 2s. 6d.)

PINNER, W. *Der Getreideterminhandel in Deutschland vor und seit der Reichsbörsengesetzgebung.* (Berlin: Springer. 1914. Pp. vi, 90. 2.80 M.)

Accounting, Business Methods, Investments, and the Exchanges

Cost Reports for Executives as a Means of Plant Control. By BENJAMIN A. FRANKLIN. (New York: The Engineering Magazine Company. 1913. Pp. 149. $5.00.)

The title of the book accurately suggests its contents. The author has endeavored with a commendable degree of success to write a book that, while sketching in clear outline the features essential to every adequate cost system, brings a message to the responsible manager of a business, and shows, in language free from unnecessary technicalities and illustrated by a number of forms, the place of a cost system in a well-planned business organization and the practical results that can be obtained by its intelligent use.

Emphasis is laid upon the principle that costs must be a part of the accounting system and that the totals derived from the cost accounts must be in agreement with the corresponding figures in the financial books. To one not acquainted with the literature on cost accounting this might seem like emphasizing the obvious, but in view of the much careless thinking that has found its way into print it is well to lay stress on a fact so essential.

Separate chapters are devoted to such subjects as the philosophy of costs, economic consideration of material by costs, labor from cost viewpoint, vexing question of expense, statistics as an aid, cost system, and the basic improvement. In these chapters